

Message Text

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SUBJ: AMERICAN FIRMS FEEL IMPACT OF LABOR

UNREST IN PORTUGAL

REFS: LISBON 1922; LISBON 731

1. SUMMARY: AMERICAN-OWNED ENTERPRISES IN PORTUGAL HAVE BEEN CAUGHT UP IN THE WHIRLWIND OF LABOR UNREST SINCE THE APRIL 25 COUP. NEARLY EVERY AMERICAN BUSINESS HAS BEEN HIT WITH LIST OF DEMANDS INCLUDING WAGE INCREASES, FIRING OF SUPERVISORS, SANITIZING (I.E., REMOVING) FOREIGNERS FROM MANAGEMENT, PROFIT SHARING AND WORKERS' PARTICIPATION IN MANAGEMENT. SEVERAL U.S. FIRMS ARE ON STRIKE, OTHERS HAVE REJECTED DEMANDS AND ARE EXPECTING CONFRONTATIONS, AND REMAINDER HAVE DIALOGUE UNDERWAY IN RESPONSE TO DEMANDS. END SUMMARY.

2. AS OF THIS DATE, NEARLY EVERY AMERICAN BUSINESS

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ENTERPRISE IN PORTUGAL ALONG WITH OTHER ENTERPRISES HERE,

HAS BEEN PRESENTED WITH WORKERS' DEMANDS IN ONE FORM OR ANOTHER. THESE CONFRONTATIONS CAN BE DIVIDED INTO THREE DISTINCT GROUPS: A) MOST SERIOUS CASES ARE THOSE IN WHICH WORKERS' COMMITTEES PRESENTED SHORT-FUSED ULTIMATUMS FOR MAJOR CONCESSIONS. IN SEVERAL CASES THESE ULTIMATUMS HAVE BEEN REJECTED BY THE MANAGERMENTS AND IMMEDIATE STRIKES RESULTED. THUS FAR THIS WEEK, FIRESTONE TIRE, TIMEX, PFIZER LABORATORIES, MERCK, SHARP, & DOHME INC., BLUE BELL INC., AND APPLIED MAGNETICS, HAVE HAD WILDCAT STRIKES. THERE ARE PROBABLY OTHER INSTANCES OF WHICH WE ARE NOT AWARE. IN EACH OF THESE CASES, MANAGEMENT WAS WILLING TO DISCUSS DEMANDS FOR WAGE INCREASES AND IMPROVEMENT IN WORKING CONDITIONS, HOURS, AND FRINGE BENEFITS. HOWEVER, MAJOR IRRECONCILABLE ISSUE HAS BEEN THAT OF FIRING SELECTED SUPERVISORS, IN SOME CASES PORTUGUESE AND OTHER CASES EXPATRIATES. B) OTHER AMERICAN FIRMS HAVE BEEN PRESENTED WITH DEMANDS BUT HAVE NOT YET BEEN STRUCK. AGAIN THESE DEMANDS INCLUDING SOME OR ALL OF THE FOLLOWING: REMOVING FOREIGNERS FROM MANAGEMENT POSITIONS, FIRING SELECTED SUPERVISORS, PROFIT SHARING, AND WAGE AND FRINGE BENEFIT INCREASES. MOST OF THE ELECTRONICS FIRMS, ALONG WITH SEVERAL GARMENT MANUFACTURERS AND OTHER LIGHT INDUSTRIES, FALL INTO THIS CATEGORY. C) FINALLY, SOME FIRMS HAVE BEEN PRESENTED WITH STRAIGHTFORWARD DEMANDS FOR INCREASES IN WAGES TO OFFSET RECENT COST OF LIVING INCREASES. AMPLE GOOD WILL EXISTS ON BOTH SIDES TO REACH AGREEMENT ON REVISED WAGES, AND AS LONG AS CONTROL OF MANAGEMENT DECISION-MAKING DOES NOT BECOME AN ISSUE, THERE ARE PROSPECTS TO AVOID STRIKES OR DISRUPTIVE CONFRONTATIONS. SEVERAL OF LARGEST U.S. FIRMS-E.G., GENERAL MOTORS, FORD, AND MOBIL-ARE IN THIS LAST CATEGORY.

3. THE ELECTRONICS SECTOR IS A SPECIAL CASE WHERE NINE U.S. FIRMS EMPLOY OVER 10,000 PEOPLE. A COLLECTIVE LABOR CONTRACT FOR THIS SECTOR, LIMITED OFFICIAL USE

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(SEE LISBON 731) SIGNED MAY 8, WILL MORE THAN DOUBLE LABOR COSTS FOR THESE FIRMS. IN SOME CASES, WAGES FOR DIRECT LABOR EMPLOYEES WILL GO FROM A CURRENT \$80/MONTH TO \$200/MONTH. IN SPITE OF THESE WAGE INCREASES (AND ALSO MAJOR IMPROVEMENTS IN FRINGE BENEFITS), MOST OF THE ELECTRONICS FIRMS HAVE BEEN HIT WITH DEMANDS FOR FIRING OF SUPERVISORS AND PARTICIPATION IN MANAGEMENT. THIS SUGGESTS THAT THE WORKERS, AT

LEAST IN THE ELECTRONICS SECTOR, WILL NOT BE SATISFIED
SIMPLY WITH BETTER PAY, SHORTER HOURS AND MORE FRINGES, BUT
HAVE IDEOLOGICAL GOALS AS WELL.

4. WITH DISINTEGRATION OF CORPORATE STATE
INSTITUTIONS FOLLOWING COUP, GOP ABILITY TO MEDIATE
LABOR DISPUTES HAS VIRTUALLY DISAPPEARED. THE
ONLY EFFECTIVE RECOURSE FOR MANAGEMENT IS TO
REQUEST INTERVENTION OF A JUNTA REPRESENTATIVE.
HOWEVER, THIS RECOURSE INVOLVES CONSIDERABLE RISK
IN THAT JUNTA REPRESENTATIVE IS USUALLY
MIDDLE GRADE OFFICER SENT FROM NEAREST MILITARY
POST. CHARACTERISTICALLY, HE HAS ONLY VAGUEST
GUIDANCE, WITH FREE HAND TO RESOLVE DISPUTE IN ANY
WAY HE CHOOSES. IN SOME CASES THE JUNTA
REPRESENTATIVE HAS ARBITRARILY RULED IN FAVOR OF
ONE SIDE OR OTHER. MOST INSTANCES, HOWEVER, JUNTA
REPRESENTATIVE HAS ENCOURAGED CONTINUATION OF DIALOGUE,
WARNED WORKERS AGAINST VIOLENCE OR PROPERTY DESTRUCTION,
AND TRIED TO PERSUADE MANAGERS TO MEET SOME OF
DEMANDS.

5. MOST AMERICAN MANAGERS FEEL THAT
WORST OF LABOR TROUBLES ARE STILL TO COME. IN THE
PAST THE GOP PROVIDED BUFFER BETWEEN LABOR AND
MANAGEMENT. NOW, IN ABSENCE OF GROUND RULES FOR
RESOLUTION OF DISPUTES, FIRMS FIND THEMSELVES
ISOLATED AND VULNERABLE TO WORKERS' DEMANDS. MOST
MANAGERS POLLED EXPRESSED DETERMINATION NOT TO AGREE
TO DEMANDS SUCH AS FIRING OF UNPOPULAR SUPERVISORS
AND FOREIGNERS, PROFIT SHARING, AND WORKERS'
COMMITTEE PARTICIPATION IN MANAGEMENT. SEVERAL
MANAGERS EXPECT CONTINUING PROBLEMS AND EXPRESS
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HOPE THAT PROVISIONAL GOVERNMENT WILL RE-ESTABLISH
A SEMBLANCE OF ORDER IN LABOR FIELD. IN MEANTIME,
AMERICAN BUSINESSMEN ARE DISMAYED BY COURSE OF
EVENTS AND APPREHENSIVE ABOUT FUTURE BUSINESS
CONDITIONS HERE.

6. COMMENT: THE JUNTA, THROUGH ITS COMMUNIQUE
AND THROUGH PRESIDENT SPINOLA'S OATH-TAKING SPEECH,
HAS CONSISTENTLY ENCOURAGED RESTRAINT ON THE PART
OF WORKERS' GROUPS. HOWEVER, IN SPITE OF APPEALS
BY SOME MANAGERS, THE JUNTA HAS REFUSED TO USE FORCE
AGAINST LABOR. WE PRESUME THAT JUNTA'S POLICY IS TO
ALLOW LABOR MOVEMENT TO LET OFF STEAM DURING
INTERIM PERIOD BETWEEN COUP AND ESTABLISHMENT OF
PROVISIONAL GOVERNMENT. JUNTA ALSO WANTS TO PRESERVE

ITS PRISTINE IMAGE WITH WORKERS BY LEAVING LABOR
RELATIONS TO PROVISIONAL GOVERNMENT AND, MORE
SPECIFICALLY, BY LEAVING ENFORCEMENT OF ORDER TO LABOR MINISTER,
WHO IS PORTUGUESE COMMUNIST PARTY ACTIVIST. THE
JUNTA AND THE NEW MINISTER OF ECONOMIC COORDINATION
SEEM TO BE AWARE OF THE FRAGILITY OF THIS ECONOMY
AND WILL TRY TO AVOID MAJOR DISRUPTIONS BY LABOR.
THE REAL QUESTION NOW IS WHETHER ORDER CAN BE RE-
ESTABLISHED WITHOUT VIOLENT CONFRONTATION BETWEEN
GOP AND WORKERS, OR WITHOUT CAUSING RUPTURE IN
COALITION BETWEEN POLITICAL LEFT AND THE
MODERATES IN PROVISIONAL GOVERNMENT. SCOTT

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